



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 23, 2000

### **S. 986**

### **Griffith Project Prepayment and Conveyance Act**

*As ordered reported by the House Committee on Resources on June 21, 2000*

#### **SUMMARY**

S. 986 would direct the Secretary of the Interior, acting through the Bureau of Reclamation (Bureau) to convey the Robert B. Griffith Water Project (Griffith Project) to the Southern Nevada Water Authority (SNWA). The transfer would occur after the SNWA pays about \$112 million to the Bureau to meet its outstanding obligations under an existing repayment contract with the federal government. A substantial portion of the Griffith Project is located on federal land administered by the National Park Service (NPS) and the Bureau of Land Management. Under S. 986, the SNWA would retain rights-of-way across this federal land at no cost.

CBO estimates that enacting S. 986 would yield a net increase in asset sale receipts of \$103 million in 2001, but that this near-term cash savings would be offset by the loss of other offsetting receipts over the 2002-2033 period. Because the legislation would affect direct spending, pay-as-you-go procedures would apply. CBO also estimates that implementing S. 986 could cost up to \$50,000 a year in appropriated funds over the 2002-2005 period.

S. 986 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The project conveyance, and any costs associated with it, would be voluntary on the part of the SNWA. The legislation would impose no costs on any other state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 986 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
<b>CHANGES IN DIRECT SPENDING <sup>a</sup></b>					
Estimated Budget Authority	-103	9	9	9	9
Estimated Outlays	-103	9	9	9	9
a. S. 986 also would authorize additional spending, subject to appropriation, of up to \$50,000 a year over the 2002-2005 period.					

## **BASIS OF ESTIMATE**

For this estimate, we assume that S. 986 will be enacted by the end of fiscal year 2000. Based on information from the SNWA and the Bureau, CBO expects that the authority will make the prepayment during fiscal year 2001, and that the formal project conveyance will be completed during fiscal year 2002.

### **Direct Spending**

S. 986 would direct the Secretary of the Interior to sell the Griffith Project to the SNWA, in exchange for a one-time payment of about \$121 million. The legislation would allow the sales price to be adjusted for any payments made after September 15, 1999, and before the project transfer is completed. According to the Bureau, the SNWA has made a payment of about \$9 million during fiscal year 2000. Thus, CBO expects a payment of about \$112 million to occur during fiscal year 2001 and estimates that those receipts would be offset by the loss of currently scheduled repayments of about \$9 million a year between 2001 and 2022 and \$6 million a year between 2023 and 2033.

### **Spending Subject to Appropriation**

Presently, the SNWA bears the full cost of operating and maintaining the Griffith Project. In addition, pursuant to an agreement with the Bureau, the SNWA would absorb all administrative costs associated with the conveyance. Thus, implementing this provision would not affect discretionary spending. The NPS currently collects about \$50,000 a year from the SNWA to offset the costs of administering and monitoring rights-of-way within the Lake Mead National Recreation Area. Under S. 986, the SNWA would maintain rights-of-way across these federal lands at no cost after the conveyance is completed. CBO

estimates that implementing this provision would require a net increase in amounts appropriated to the NPS of about \$50,000 annually to continue administrative activities related to monitoring these rights-of-way.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	-103	9	9	9	9	9	9	9	9	9
Changes in receipts	Not applicable										

Under the Balanced Budget Act, proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go purposes only if the sale would entail no financial cost to the government. Based on information provided by the bureau, CBO estimates that the sale of the Griffith Project as specified in S. 986 would not result in such a financial cost to the government, and therefore, the proceeds would count for pay-as-you-go purposes.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

S. 986 contains no intergovernmental mandates as defined in UMRA. In order to receive title to the Griffith project, the legislation would require the SNWA to assume all costs associated with the project and to prepay their outstanding liability to the federal government. The conveyance would be voluntary on the part of the authority, however, and these costs would be accepted by it on that basis. Further, the authority is already responsible for all costs of operating and maintaining the facility. The legislation would impose no costs on any other state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE-SECTOR**

This legislation contains no new private-sector mandates as defined in UMRA.

## **PREVIOUS CBO ESTIMATE**

On October 18, 1999, CBO transmitted a cost estimate for S. 986 as ordered reported by the Senate Committee on Energy and Natural Resources on October 6, 1999. The SNWA has made a repayment to the federal government of about \$9 million since that time. Because the legislation provides that the sale price may be adjusted for such repayments, we have revised our estimate of the net prepayment of the authority's outstanding obligations that would occur under this legislation. Other differences between the two estimates reflect changes in our assumptions regarding when the legislation would be enacted and when the prepayment and project conveyance would occur.

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